

Feb 1986



News about Imperial Oil for shareholders

Imperial's chief operating officer a production and oil-sands expert

Before being appointed to his current position of executive vice-president and chief operating officer of Imperial Oil in April 1985, R.B. (Bob) Peterson spent 25 years in oil and gas production-related positions with the company, with particular emphasis on oil-sands and heavy-oil development, now a very major component of Imperial's operations. He remains chairman of the board of Esso Resources Canada Limited.

Born in Regina, Peterson graduated from Queen's University in Kingston, Ontario, with a master's degree in chemical engineering and joined Imperial's producing department in Edmonton in 1960. After a variety of assignments as a reservoir engineer in western Canada and in the United States with Standard Oil of New Jersey (now Exxon Corporation), in the mid-1970s he became involved in the early stages of planning and production of the company's heavy-oil reserves at Cold Lake, Alberta. When Esso Resources was formed in 1978, Peterson became vice-president and general manager of the heavy-oil department, with responsibilities for Cold Lake and Syncrude, and in 1979 he was appointed executive vice-president of Esso Resources.

After an assignment with Exxon's producing department in New York, Peterson was appointed president and chief executive officer of Esso Resources in 1982, and in October 1984 he was elected to the board of Imperial Oil.

Peterson is also a director of Interprovincial Pipe Line Limited, a member of the Advisory Council, School of Business, Queen's University, Kingston, Ont., and a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He is also a past director of the Calgary Petroleum Club and of the Calgary Philharmonic Orchestra. Now settling into a new home in

Toronto, he and his wife are both keen golfers. Two sons are attending the University of Alberta in Edmonton.

Esso service stations sporting a new look

For Esso Petroleum, 1985 was year three in a \$225-million, service-station modernization program that won't wind down until the early 1990s. By the end of 1986, more than 1300 Esso stations across Canada will sport the bold new look — a clean, high-tech appearance designed to attract customers.

The restructuring program, however, means more than a fresh face. Stations featuring new services are cropping up every year in conjunction with the program. Among the most innovative offerings are the one-stop centres — modern self-serve stations complete with car washes and Esso Shop convenience stores. At the end of 1985, five were already in place, with 12 more set for completion this year, some with automatic banking machines.

Another of Esso Petroleum's newer service-station programs is the Service Plus network, which will expand to seven by year's end. These full-service stations feature 24-hour service, supported by high-speed pumps, bulk dispensers for motor oil, windshield washer fluid and air hoses — all at the island.

Top executives win management award

Arden Haynes, Imperial Oil's chairman, president and chief executive officer, and Don McIvor, former chairman and chief executive officer have received the "Gold Award for excellence" in the Canadian petroleum industry from a major U.S. business publication.

Haynes and McIvor were named 1985 winners of the award following a survey of Canadian and American financial analysts and

other industry specialists by *The Wall Street Transcript*.

The Transcript chose Haynes and McIvor for the Gold Award because "this management team has been characterized as forward thinkers, thereby enabling them to steer the company through the period of deregulation.

"They have been able to foresee long term trends developing and in turn implement successful strategies, all the while keeping the company financially healthy."

The Wall Street Transcript is a weekly business publication based in New York. It said Imperial Oil Limited is repeatedly cited for having the best record in finding, producing and marketing conventional and non-conventional oil.

One industry specialist surveyed said: "It's been a story of growth through careful management of assets. They got into heavy oil in a big way before other people saw the potential."

A Canadian oil specialist remarked: "The premier company on the list would be Imperial Oil. They are very well capitalized. They have the earnings and they have very good management.

"Imperial Oil is in the best position in refining and marketing and also in recovery of oil reserves of any of the Canadian corporations of its size. That's totally because of good management and an interest in staying in business over the long run."

Ethics policy stresses the individual

In a recent interview with *The Toronto Star*, Arden Haynes, chairman, president and chief executive officer of Imperial Oil, talked at length about ethics and Imperial Oil. To Haynes, corporate ethics begins with the individual employee since "the character of the company, to a large degree, is the sum of the characters of its individual employees."

Because of this, said Haynes, an educational process starts the day a new employee joins the

company. The intent, he says, is to develop a mind-set that puts honesty above all else in the way employees "think and act on behalf of the company." One of the first things a new employee receives, Haynes told the reporter, is a booklet on corporate ethics. That booklet, *Our Corporate Ethics*, has recently been updated and redistributed to all company employees.

In the foreword to *Our Corporate Ethics*, Haynes says: "Imperial Oil and the Esso family of companies' high standard of ethics is among our most valued assets, and it is the responsibility of each of us to ensure that no action is ever taken to compromise our reputation for fairness and honesty."

More than lip service is paid to those sentiments. As the booklet notes, "a framework of management control" ensures that the company's accounting records and practices, for example, are scrupulously honest. As well, detailed conflict of interest guidelines, dealing with everything from gifts to trading in company shares, guide employees in their daily business dealings.

The company is particularly zealous in its adherence to the Combines Investigation Act and its provisions for ensuring competition in the marketplace. For example, half-day to full-day seminars dealing with the Act and its complex provisions are routinely given not only to company sales people, but to any employee whose work deals with customers or company competitors.

Of course, Imperial's high standards apply to its products as well as its employees. All products produced by Imperial Oil not only meet government standards for safety, health and environmental protection, but often, says Haynes, exceed them. And that, he says, is not only sound ethics, it's good business.

Investor Relations
February, 1986



News about Imperial for shareholders

Annual meeting report

Largest audience ever attends Imperial's annual meeting

The largest audience in the company's 106-year history filled the Canadian Room of the Royal York Hotel on April 21st to take part in Imperial's annual meeting. They heard senior executives report on the company's response to falling oil prices, on its strong financial position and on its excellent 1985 results. Shareholders also asked questions and commented on a range of matters.

1985 "a winning year", with some disappointments

R.B. (Bob) Peterson, executive vice-president and chief operating officer, analysed 1985 results for shareholders.

"If you were picking a first star for 1985, it would have to be our natural resource operations," said Peterson. Their list of achievements included a 27-percent increase in net oil production and another major increase in the company's crude-oil reserves.

"In fact, during the three-year period of 1983 to 1985, net proved oil reserves have increased by more than 50 percent."

In addition, the petroleum product segment essentially retained its share of total markets in a highly competitive environment, while the chemical group increased its domestic market share in both fertilizers and petrochemicals.

"But there were also disappointments last year," said Peterson, mainly related to the lack of progress in improving the profitability of the company's petroleum product and chemical operations. "That lack of progress has taken on even greater significance in the light of sharply falling oil prices."

He said an analysis of the earnings contributed by each major operating segment last year illustrated the problem. Natural



Chairman Arden Haynes answered shareholders' questions during lunch.



Shareholder A. Dorothy McKee commented on the closure of her favorite gas station during question period.

resources, with about 40 percent of the company's total assets, contributed nearly 80 percent of earnings. Petroleum products, with about a third of assets, contributed less than 15 percent. And chemicals, with about 10 percent of assets, contributed less than one percent of earnings.

Although 1985 results show that the strategy in recent years of developing new oil production was working reasonably well, now that oil prices are falling "it's clear that we can no longer rely, at least in the near term, on our natural resource operations to bring total returns to acceptable levels."

Imperial enters uncertain period "in excellent financial shape"

In his analysis of the company's financial position, W.J. (Bill) Young, executive vice-president and chief financial officer, told shareholders "your company has emerged from 1985 in an excellent position to weather a stormy period."

Young said first-quarter results were better than might have been expected, considering how much oil prices had fallen during the period. "And even though there may not be too

many more pleasant surprises during the year, shareholders should be encouraged by the fact that our strong financial position allows us to face an uncertain future with considerable confidence.

"Our cash position is strong and will grow even stronger, as lower crude prices reduce the amount of money we have tied up in inventories. Our balance sheet is clean and healthy. Our financial ratios — those measures used by the investment community to assess a company's financial position — are all very sound."

Chairman outlines response to lower oil prices

Arden Haynes, chairman, president and chief executive officer, said the company would apply the same operating principles that guided it through the double difficulties of recession and the National Energy Program several years ago to see it through the current period of uncertainty. Those principles are maintenance of the company's financial strength, flexibility in its investment program, and continuity as an excellent employer.

A more detailed report on the chairman's remarks is contained on page four of the accompanying interim report to shareholders.

Directors and auditors returned

Shareholders approved the reappointment of Price Waterhouse as auditors of the company and elected a slate of directors that was unchanged from last year: J.E. Akitt, J.B. Buchanan, J.V.R. Cyr, P. Des Marais II, A.R. Haynes, M. Kovitz, W.A. Macdonald, R.B. Peterson, G.H. Thomson and W.J. Young.

Haynes pays tribute to two departing executives

Arden Haynes noted that John Akitt, currently an Imperial Oil director and president of Esso

Chemical Canada, would leave the board in late summer to become president of the newly formed Exxon Chemical International, based in Brussels, Belgium. He thanked Akitt for his many contributions and said that his successor on Imperial's board would be named at a later date.

Haynes also paid tribute to D.D. (Don) Loughheed, executive vice-president of Esso Resources and a former director of Imperial Oil, for his many contributions to the company during a career spanning nearly four decades. Loughheed recently announced his intention to retire.

Shareholders question changes to dividend plan

A number of matters were raised during the question period; the one that generated the most questions was the change to the company's dividend reinvestment program. Several shareholders asked why the company had changed the program and whether shareholders should continue to participate in it.

Arden Haynes responded that the plan continues to be worthwhile for shareholders who want to purchase shares and at the same time minimize brokerage fees. He said the original plan — with its five-percent discount on new shares purchased with reinvested dividends — had been put in place when the company had a very high demand for investment funds. Since investment plans had been scaled down, those funds were no longer required.

Haynes said that if circumstances returned to what they were before, it's certainly one of the programs the company would look favorably upon again.



July 1986

News about Imperial for shareholders

Unprecedented industry change for refining and marketing president

G.H. (Gord) Thomson, 44, has been president of Esso Petroleum Canada — a division of Imperial Oil — since 1982, during a period of unprecedented change in the Canadian refining and marketing industry. He is currently overseeing a major realignment of the Esso Petroleum organization, aimed at improving efficiency, reducing costs and making the division more responsive to the needs of a changing marketplace.

Born in Calgary, Thomson was educated in Vancouver and graduated as a chemical engineer from the University of British Columbia in 1964. He joined Imperial in Sarnia, Ontario, as a process design engineer and remained there until 1968, participating in the modernization and expansion of the Sarnia refinery. After moving to Toronto in 1971 he held positions in several departments before being appointed assistant general manager of planning in the logistics department in 1976.

From 1978 until 1980 Thomson was assigned to Exxon International in New York. On his return to Canada he was appointed vice-president and general manager of heavy oils with Esso Resources Canada Limited in Calgary, and became a director of Esso Resources in 1981. In 1982 he returned to refining and marketing operations as president of Esso Petroleum Canada, and was elected to Imperial's board of directors in April, 1985.

Thomson is a director of Interprovincial Pipe Line Limited, past president of the Canadian Society for Chemical Engineering, a member of the Association of Professional Engineers of Ontario, and a director of Famous People Players, the Toronto-based theatre group for the mentally-handicapped. His hobbies include skiing, swimming and golf, and he and his wife Val especially enjoy travelling in Canada and abroad. Their son Gavin is studying business at Toronto's Centennial College, while daughter Marjie will begin classes at the University of Guelph, Ontario, this fall.

Excellent response to voluntary staff reduction programs

Two corporate-wide voluntary programs — aimed at reducing the company's staff as humanely as possible in response to falling oil prices and depressed profitability in petroleum product and chemical operations — have been highly successful.

The programs included an enhanced pension plan for those contemplating early retirement. More than 900 employees, or about 80 percent of those eligible, elected to retire under the terms of the program.

The second program was aimed at assisting people to make voluntary career changes by providing them with lump-sum payments that varied with the individual's length of service. More than 1000 people responded to that program, bringing the total number of voluntary departures to 1,966.

The company has subsequently extended its pension enhancement program to those who will turn 55 in 1987. The final step in the process will be to determine what positions need to be filled as a result of the voluntary departures. Those positions will be filled from within the company to the maximum extent possible.

New Esso gasolines can improve engine performance

Esso Petroleum's "No Trouble" gasolines, introduced in June, have proven in extensive laboratory and field tests that they can improve engine performance by cleaning dirty carburetors and fouled fuel injectors. The new Esso gasolines are available in all grades and in all Esso stations across the country.

The engine-cleaning gasolines have been developed in response to the highly sophisticated fuel-distribution systems (carburetors and fuel injectors) that are used in modern engines. These systems are often adjusted and sealed in the factory, which makes it difficult and costly to repair them if they become fouled by dirt and deposits that can cause starting difficulties, rough idling and

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jerky acceleration. The new Esso gasolines can prevent such problems by cleaning deposits from fuel injectors after just a few tankfuls and from carburetors after 5000 to 10,000 kilometres of continuous use.

Competitive benefits flow from company links with Expo 86

From the biggest hockey stick in the world (roughly 200 feet high, weighing 62,000 pounds), to the largest infusion of corporate support ever shown a world's fair, Expo 86 in Vancouver is a towering international triumph.

Imperial Oil has been associated with the exposition from the very beginning. Through Esso Petroleum, Imperial is Expo's official petroleum supplier and is sponsor of the popular Esso Roundhouse theme pavilion. The roundhouse, a restored railway maintenance centre built in 1888, is one of the few pavilions that will remain after Expo closes October 13, ensuring a lasting place for it in Vancouver's heritage.

The company also helped restore Locomotive 374, which pulled the first transcontinental passenger train to arrive in Vancouver in 1887, through the sale of Esso heritage bricks that purchasers could have engraved with the name of their choice. Both the locomotive and the bricks are now set permanently in the courtyard of the Esso Roundhouse.

The company's association with Expo 86 has provided it with some unique promotional opportunities. Thousands of Esso stations and agencies across the country are serving as Expo information sites, distributing a free guide to

the exposition. And the recently completed Great Esso Expo 86 Contest provided, with each entry, a donation by the company to the Rick Hansen spinal cord research fund and a chance to win one of more than 10,000 prizes, including 50 trips to Expo 86.

Advertising campaign wins top broadcast awards

Esso Petroleum's "No trouble" advertising campaign, which featured such scenes as a spaceship stopping for gas at an Esso station and a service station attendant watering down a thirsty elephant, captured 10 awards in a recent competition sponsored by the Broadcast Executive Society. The advertisements were broadcast on Canadian television between October 1985 and May 1986.

In addition to garnering the top three awards in the automotive accessories category, the three ads submitted won the "Bessie" award (derived from the initials of the Broadcast Executive Society) as the best television advertising campaign of 1985. The campaign also captured three craft awards for its directors and an acting award for Les Yeo, who played an Esso mechanic sweating over the perfect tune-up.

The "No trouble" campaign, which was produced for Esso Petroleum by MacLaren Advertising, competed against more than 650 other entries in the annual competition. The judging committee was composed of leading professionals from all facets of the advertising industry.